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FM AMEMBASSY SEOUL

TO SECSTATE WASHDC PRIORITY 8347

INFO AMEMBASSY TOKYO

AMEMBASSY TAIPEI

AMCONSUL HONG KONG

US MISSION GENEVA 223

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EO 11652: GDS

TAGS: EFIN, ETRD, KS

SUBJECT: KOREAN BALANCE OF PAYMENTS OUTLOOK FOR 1975

HONG KONG FOR REGFINATT

GENEVA FOR MTN DELEGATION

REF: A. SEOUL 0490 B. SEOUL A-26 C. SEOUL 0685

D. SEOUL 0764 E. SEOUL 0817 F. CERP 9102

SUMMARY: DUE TO DEPRESSED EXPORTS, KOREA WILL PROBABLY HAVE TO FINANCE A CURRENT ACCOUNT DEFICIT OF ABOUT DOLS 2.4 BILLION THIS YEAR, OR DOLS 1.0 BILLION MORE THAN OFFICIALLY FORECAST. FORTUNATELY, BORROWING POSSIBILITIES ARE ALSO CONSIDERABLY GREATER THAN ESTIMATED, SO THAT, ON OPTIMISTIC ASSUMPTIONS, KOREA SHOULD BE ABLE TO MAINTAIN ITS GROSS EXCHANGE RESERVES AT ABOUT DOLS 1.0 BILLION. THE GREATEST PROBLEMS WILL BE GETTING THROUGH THE VERY DIFFICULT FIRST HALF (ASSUMING SOME IMPROVEMENT

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IN THE SECOND HALF) AND FINDING AN ADDITIONAL DOLS 500

MILLION IN LONG-TERM RATHER THAN SHORT-TERM CASH FINANCING. THE GREATEST DANGER IN 1975 WILL BE A LOSS OF CONFIDENCE ON THE PART OF FOREIGN LENDERS, TRIGGERED BY A FALL IN EXCHANGE RESERVES WHICH COULD RAPIDLY BECOME SELF-AGGRAVATING. WHILE SEEKING A WIDE VARIETY OF INTERNATIONAL FINANCING, THE ROKG IN A SEVERE CRUNCH CAN BE EXPECTED TO LOOK TO THE U.S. AS THE ULTIMATE LENDER OF LAST RESORT. END SUMMARY

1. THE OFFICIAL FORECAST FOR 1975 IN THE OVERALL RESOURCES BUDGET (ORB) PROJECTS A TARGET OF DOLS 6.0 BILLION FOR EXPORTS AND A NARROWING OF THE CURRENT ACCOUNT DEFICIT TO DOLS 1.4 BILLION, AS REPORTED REFS (A) AND (B).

UNFORTUNATELY, THE EXPORT TARGET APPEARS COMPLETELY UNREALISTIC IN LIGHT OF CURRENT TRENDS AND INTERNATIONAL ECONOMIC OUTLOOK. ON THE REASONABLY OPTIMISTIC ASSUMPTION OF 30 PERCENT P.A. EXPORT GROWTH IN SECOND HALF, THE EMBASSY ESTIMATES 1975 EXPORTS AT ONLY DOLS 4,550 MILLION, WITH CURRENT ACCOUNT DEFICIT WIDENING TO ABOUT DOLS 2.4 BILLION. FOLLOWING ARE ESTIMATES IN MILLIONS OF DOLLARS:

PREL.	ORB	EMB.
1974	1975	1975
EXPORTS, F.O.B.	4,494	6,000
IMPORTS, F.O.B.	6,194	7,200
TRADE BALANCE	-1,700	-1,200
NET SERVICES	-370	-463
NET TRANSFERS	286	285
CURRENT ACCOUNT	-1,784	-1,378

2. EXPORTS: BASED ON COMMENTS FROM INDUSTRY SOURCES AND ANALYSIS OF CURRENT TRENDS IN EXPORT SHIPMENTS AND L/C ARRIVALS, EMBASSY BELIEVES THAT, AT BEST, OUTLOOK IS FOR CURRENT SLUMP TO BOTTOM OUT IN FIRST HALF, WITH CONFIDENTIAL

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EXPORTS HOPEFULLY BEGINNING REBOUND AGAIN IN FINAL SIX MONTHS OF YEAR. SEASONALLY-ADJUSTED QUARTERLY AVERAGE OF MONTHLY EXPORT RATE, AFTER TRENDING DOWNWARD THROUGH SECOND AND THIRD QUARTER OF 1974, DROPPED PRECIPITOUSLY IN FOURTH QUARTER TO MONTHLY RATE OF DOLS 324 MILLION, WITH LOW OF DOLS 301 MILLION IN DECEMBER. EXPORT L/C ARRIVALS, NORMALLY A REASONABLY GOOD LEADING INDICATOR ON 3-4 MONTH BASIS, AVERAGED DOLS 344 MILLION PER MONTH

SEASONALLY-ADJUSTED IN FINAL QUARTER. PRELIMINARY JANUARY SEASONALLY-ADJUSTED DATA INDICATE EXPORTS AROUND DOLS 360 MILLION, BUT L/C ARRIVALS DOWN TO DOLS 271 MILLION. EMBASSY PROJECTION ABOVE ASSUMES SEASONALLY-ADJUSTED MONTHLY EXPORT RATE OF DOLS 350 MILLION THROUGHOUT FIRST HALF (INCLUDING ROUGHLY DOLS 10 MILLION PER MONTH FOR NET TUNA SALES AND EXPORTS NOT COVERED BY L/C'S) WHICH YIELDS A FIRST HALF TOTAL OF DOLS 2.0 BILLION IN ACTUAL EXPORTS.

3. PROSPECTS FOR SECOND HALF DEPEND HEAVILY ON TIMING OF RECOVERIES IN U.S. AND JAPAN, KOREA'S MAJOR TRADING PARTNERS. PROVIDING SUCH RECOVERIES UNDERWAY BY THIRD QUARTER, IT WOULD BE REASONABLY ASSUME SEASONALLY-ADJUSTED SECOND HALF EXPORTS AT AVERAGE 15 PERCENT OVER FIRST HALF, YIELDING SECOND HALF ACTUAL TOTAL OF ABOUT DOLS 2,550 MILLION.

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4. IMPORTS: ALTHOUGH ORB ESTIMATE OF DOLS 7.2 BILLION, F.O.B. (DOLS 8.0 BILLION, C.I.F.) APPEARS TO UNDERSTATE IMPORT REQUIREMENTS CONSISTENT WITH HIGHLY OPTIMISTIC

TARGETS FOR EXPORTS AND 7 PERCENT GNP GROWTH, AN ACTUAL PERFORMANCE OF SLOW OR NO GROWTH IN BOTH EXPORTS AND GNP WILL DAMPEN IMPORT GROWTH. PRICE INCREASES SHOULD ALSO BE SUBSTANTIALLY LESS SEVERE THAN IN 1974. DISCREPANCIES IN PRELIMINARY 1974 IMPORT DATA (SEE PARA 6, REF C) UNFORTUNATELY MAKE IT DIFFICULT ASSESS CURRENT IMPORT VALUES WITH MUCH PRECISION. SITUATION COMPLICATED BY FACT THAT LEVEL OF IMPORT LICENSING IN RECENT MONTHS APPEARS TO HAVE BEEN DISTORTED BY PRE-DEVALUATION SPECULATION AND MAY STILL BE INFLUENCED BY FEAR THAT ROKG MAY SOON BE FORCED IMPOSE STIFF IMPORT RESTRICTIONS. EMBASSY'S ESTIMATE OF DOLS 6.8 BILLION, F.O.B., FOR 1975 IMPORTS IS ROUGHLY ORB ESTIMATE LESS PROJECTED INCREASE IN IMPORTS OF RAW MATERIALS FOR EXPORT PRODUCTION. (OUR ESTIMATE DOES NOT ALLOW FOR MILITARY IMPORTS SIGNIFICANTLY GREATER THAN DOLS 163 MILLION ESTIMATED IN ROKG BUDGET.) NORMAL PATTERN WOULD ANTICIPATE

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IMPORT VOLUME BEING MODERATELY HIGHER IN SECOND HALF AS RESULT BOTH MODEST SEASONAL FACTORS AND PROJECTED STRONGER EXPORT LEVEL. HOWEVER, IN VIEW RECENT HEAVY LICENSING AND PROSPECT OF IMPORT RESTRICTIONS, EMBASSY CURRENTLY EXPECTS SEE ROUGHLY SIMILAR TOTALS FOR BOTH HALVES.

5. SERVICES AAND TRANSFERS: WHILE DETERIORATION IN SERVICES ACCOUNT SHOULD BE CONSIDERABLY LESS SEVERE THAN IN 1974, WHEN IT WORSENED BY DOLS 437 MILLION, IT WOULD TAKE MAJOR RECOVERY OF JAPANESE TOURISM TO HALT FURTHER SLIDE. SINCE ORB ESTIMATES APPEAR REASONABLE, EMBASSY HAS MERELY LOWERED SERVICES DEFICIT IN VIEW REDUCED FREIGHT AND INSURANCE PAYMENTS DUE LOWER IMPORT VOLUME AND RAISED TRANSFERS SURPLUS ON BASIS MOST RECENT 1974 DATA.

6. CURRENT ACCOUNT DEFICIT: IN SUM, EMBASSY FORESEES FURTHER WORSENING OF BOP SITUATION IN FIRST HALF WITH CURRENT ACCOUNT DEFICIT OF NEARLY DOLS 1.5 BILLION. IF INTERNATIONAL ECONOMY ON UPSWING BY MID-YEAR, DEFICIT SHOULD NARROW IN SECOND HALF TO AROUND DOLS 925 MILLION. FULL YEAR DEFICIT OF DOLS 2.4 BILLION APPEARS TO BE ABOUT BEST ROKG CAN CURRENTLY EXPECT. IF IMPORT DEMAND UNDERESTIMATED OR EXPORTS WEAKER THAN ASSUMED, BOTH OF WHICH ARE QUITE POSSIBLE, DEFICIT COULD EASILY BE DOLS 300 TO DOLS 400 MILLION LARGER. IN SUCH AN EVENT, ROKG WOULD INTENSIFY EFFORTS TO RESTRICT IMPORTS, BUT SCOPE WOULD BE LIMITED BY DESIRE AVOID SHARP REDUCTION IN DOMESTIC ECONOMIC ACTIVITY OR FOOD CONSUMPTION.

7. CAPITAL ACCOUNT: ON THE BASIS OF OPTIMISTIC ASSUMPTIONS THROUGHOUT, OUR CURRENT ESTIMATE IS THAT KOREA COULD RAISE UP TO DOLS 2.4 BILLION IN NET FOREIGN CAPITAL IN 1975, OR ALMOST DOLS 900 MILLION MORE THAN PROJECTED IN THE ORB. THIS WOULD PERMIT FINANCING OF THE PROJECTED CURRENT ACCOUNT DEFICIT BUT NOT THE DESIRED INCREASE OF DOLS 150 MILLION IN GROSS FX RESERVES. THE EMBASSY ASSUMES THAT UP TO DOLS 650 MILLION MORE IN LONG-TERM CAPITAL AND DOLS 250 MILLION CONFIDENTIAL

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MORE IN SHORT-TERM CAPITAL (THAN SHOWN IN THE ORB) CAN PROBABLY BE OBTAINED. THE RAISING OF ADDITIONAL CAPITAL BEYOND THIS, E.G., ANOTHER DOLS 250 MILLION, COULD POSE DEFINITE DIFFICULTIES.

8. FOLLOWING ARE CAPITAL ACCOUNT ESTIMATES IN MILLIONS OF DOLLARS (1974 DATA INCLUDES REVISIONS MADE SINCE REF C):

PREL.	ORB	EMB.
1974	1975	1975

1. LONG-TERM CAPITAL 1,508 1,508 2,160

ARRIVALS

A. PUBLIC LOANS 317 520 520

B. COMMERCIAL LOANS 616 600 900

C. BANK LOANS 300 100 300

D. KDB BONDS 19 50 100

E. IMF CREDITS 132 108 210

F. FOREIGN INVESTMENT 124 130 130

2. LOAN REPAYMENTS -350 -331 -360

3. NET LONG- TERM CAPITAL 1,158 1,177 1,800

4. NET MEDIUM-TERM CAPITAL 15 92 92

5. NET SHORT-TERM CAPITAL 663 258 508

A. REFINANCE 579 0 150

B. FOREIGN BRANCH BANKS 23 50 120

C. TRADE CREDITS -68 156 156

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D. OTHER 129 52 82

6. TOTAL NET CAPITAL 1,836 1,527 2,400

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9. COMMENTS ON ESTIMATES FOR 1975 LONG-TERM CAPITAL
(3 YEARS AND OVER):

A. PUBLIC LOANS: THE ORB ESTIMATE HAS BEEN RETAINED AS AN OPTIMISTIC ESTIMATE, ATTAINABLE ONLY IF AT LEAST DOLS 100 MILLION IN PL 480 SALES YIELDING (DOLS 70 MILLION LOAN) AND DOLS 75 MILLION IN AN IBRD PROGRAM LOAN ARE APPROVED SOON. IN COMBINATION THESE COULD RESULT

IN UP TO ABOUT DOLS 125 MILLION IN NEW LOAN ARRIVALS
DURING 1975, WITH INCREASED PROJECT EXPENDITURES
ACCOUNTING FOR THE REST. COMMITMENTS WERE DOLS 457
MILLION IN 1974; THE ORB PROJECTS THEM AT DOLS 600
MILLION IN 1975.

B. COMMERCIAL LOANS: WHILE THIS IS A DIFFICULT
CATEGORY TO ESTIMATE, THE ORB ESTIMATE SEEMS CONSER-
VATIVE IN VIEW OF 1974 COMMITMENTS OF DOLS 1,087
MILLION. THE DOLS 900 MILLION EMBASSY ESTIMATE ALLOWS
FOR FMS CREDIT DELIVERIES OF ABOUT DOLS 55 MILLION.
THE ORB PROJECTS 1975 COMMERCIAL LOAN COMMITMENTS AT
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DOLS 1.0 BILLION.

C. BANK LOANS: THE ORB PROJECTS ONLY THE REMAINING
DOLS 100 MILLION FROM THE DOS 200 MILLION U.S.
SYNDICATED LOAN. THE EMBASSY ESTIMATES DOLS 300 MILLION
MAY BE ATTAINABLE FROM MIDDLE EAST OIL PRODUCERS,
INCLUDING D BELOW.

D. KOREA DEVELOPMENT BANK (KDB) BOND SALES ESTIMATED AT DOLS
100 MILLION (THE AUTHORIZED 1975 CEILING, DOUBLE THE ORB
ESTIMATE).

E. IMF CREDITS: OIL FACILITY CREDITS OF DOLS 210
MILLION, INCLUDING DOLS 12 MILLION RECEIVED IN
JANUARY UNDER THE OLD FACILITY, APPEAR AS LIKELY AS
THE ORB ESTIMATE OF DOLS 108 MILLION.

F. FOREIGN INVESTMENT APPEARS REASONABLY ESTIMATED.
COMMITMENTS IN 1974 WERE DOLS 140 MILLION, DOWN FROM
DOLS 265 MILLION IN 1973, AND ARE PROJECTED AT DOLS
150 MILLION FOR 1975.

10. MEDIUM-TERM (1-3 YEAR) CAPITAL MAY BE OVER-
ESTIMATED SINCE THE NET FIGURE ASSUMES DOLS 167 MILLION
IN ARRIVALS, MAINLY IN CCC COTTON CREDITS.

11. NET SHORT-TERM CAPITAL COULD BE HIGHER THAN IN THE
ORB ALTHOUGH BANK BORROWING WILL BE LIMITED BY THE
VERY LARGE INCREASE IN 1974, I.E., THE NEED TO ROLL
IT OVER AND THE RELUCTANCE OF FOREIGN BANKERS TO INCREASE
THEIR EXPOSURE GREATLY. ANOTHER DOLS 250 MILLION IN
TOTAL CREDITS HAS BEEN ADDED ON THE BASIS OF QTE RESERVE
BORROWING UNQTE ESTIMATES OF THE MINISTRY OF FINANCE.
IN ADDITION, A NEW PROGRAM TO BE ANNOUNCED NEXT WEEK TO ATTRACT
FOREIGN DEPOSITS ON A HIGH-INTEREST, GUARANTEED BASIS MAY
YIELD DOLS 50 MILLION. THE NEED TO MAINTAIN GROSS RESERVES

LED IN JANUARY TO ANOTHER INCREASE OF DOLS 135 MILLION IN
REFINANCE CREDITS, TO A TOTAL OF DOLS 785 MILLION.

12. EFFECT ON DEBT SERVICE: NET LONG-TERM LOAN
DISBURSEMENTS OF DOLS 1,67 BILLION WOULD INCREASE LONG-
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TERM DEBT OUTSTANDING BY 40 PERCENT, FROM ABOUT DOLS 4.2 BILLION TO NEARLY DOSL 5.9 BILLION AT THE END OF 1975.
MEDIUM-TERM DEBT WOULD REMAIN SMALL AT DOLS 245 MILLION AT THE END OF 1975. TOTAL DEBT SERVICE WAS ABOUT DOLS 650 MILLION IN 1974, EQUAL TO 12.2 PERCENT OF FOREIGN EXCHANGE EARNINGS OF DOLS 5.33 BILLION. DEBT SERVICE IN 1975 IS LIKELY TO INCREASE ABOUT 20 PERCENT TO DOLS 780 MILLION, EQUAL TO 14.3 PERCENT OF PROJECTED FOREIGN EARNINGS OF ONLY DOSL 5.45 BILLION. THERE ARE NO UP-TO-DATE FORWARD ESTIMATES OF DEBT SERVICE. DUE TO GRACE PERIODS, THE MAJOR IMPACT OF 1975 BORROWING WILL NOT BE FELT UNTIL 1978-80 FOR COMMERCIAL AND BANK DEBT, AND LATER ON FOR MOST PUBLIC DEBT, WHICH WILL COMprise 47 PERCENT OF ESTIMATED LONG-TERM DEBT OUTSTANDING AT THE END OF 1975. (IMF CREDITS AND KDB BOND SALES TO GOVERNMENTS ARE HERE COUNTED AS PUBLIC LOANS.)

13. GIVEN THE LIKELY RESUMPTION OF FAIRLY STRONG

EXPORT GROWTH IN 1976, PERMITTING REDUCED NET LONG-TERM BORROWING, THE DEBT-SERVICE RATIO SHOULD NOT BE GREATLY INCREASED BY HEAVY BORROWING IN 1975 AND SUBSEQUENTLY. FOR EXAMPLE, EVEN ON THE PESSIMISTIC ASSUMPTION OF DOLS 7.5 BILLION IN NET LONG-TERM BORROWING, INCLUDING MILITARY CREDITS, DURING THE FIVE YEARS (1976-80, THE EMBASSY ROUGHLY ESTIMATES THAT ONLY A 15-17 PERCENT DEBT-SERVICE RATIO, WOULD RESULT IN 1980, ON THE ASSUMPTION THAT FOREIGN EXCHANGE EARNINGS INCREASE BY 20 PERCENT PER YEAR, OR BY MUCH LESS THAN IN RECENT YEARS. THUS, STARTING WITH A MODERATE DEBT-SERVICE RATIO, KOREA HAS THE CAPACITY TO SERVICE LARGE AMOUNTS OF ADDITIONAL BORROWING PROVIDED EXPORT GROWTH RESUMES AND BORROWING TERMS DO NOT DETERIORATE MARKEDLY.

14. EFFECT ON FOREIGN EXCHANGE POSITION: AS DETAILED IN REF (E), NET FOREIGN ASSETS FELL ALMOST DOSL 1.1 BILLION IN 1974 TO MINUS DOLS 150 MILLION AT YEAR END. IN JANUARY THEY FELL ANOTHER DOLS 258 MILLION, WHILE GROSS RESERVES, WHICH HAD BEEN WINDOW-DRESSED UP TO DOLS 1,049 MILLION AT YEAR END, FELL TO DOSL 936 MILLION.
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KOREA'S SHORT-TERM FOREIGN EXCHANGE POSITION (WHICH EXCLUDES LONG-TERM IMF AND BANK-TO-BANK LIABILITIES) DECLINED FROM DOLS 296 AT YEAR END TO ONLY DOLS 50 MILLION IN JANUARY. THE EMBASSY CAPITAL ACCOUNT ESTIMATES, IF ACHIEVED, WOULD HAVE THE FOLLOWING EFFECTS FOR ALL OF 1975: NET FOREIGN ASSETS WOULD DECLINE DOLS 780 MILLION TO MINUS DOLS 930 MILLION; SHORT-TERM ASSETS WOULD FALL DOSL 270 MILLION TO DOLS 26 MILLION; AND GROSS EXCHANGE RESERVES WOULD REMAIN UNCHANGED. HTE LARGE NEGATIVE FOREIGN ASSET POSITION WOULD BE STRIKEING BUT COULD BE PARTIALLY EXPLAINED BY THE HEAVY LONG-TERM BORROWING CARRIED OUT THROUGH THE MONETARY SYSTEM (WHICH EXCLUDES THE KDB).

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15. GROSS RESERVES AND THE SHORT-TERM POSITION WILL REMAIN THE CRITICAL FACTORS IN THE EYES OF FOREIGN LENDERS. THE KOREAN STRATEGY OF NECESSITY IN 1975

IS TO SHIFT FROM SHORT- TO LONG-TERM BORROWING, SO THAT GROSS RESERVES MAY BE MAINTAINED WITHOUT GOING INTO A SIGNIFICANT NEGATIVE SHORT-TERM POSITION. HENCE, THE EMPHASIS IN KOREAN ESTIMATES ON SHARPLY LIMITING THE USE OF SHORT-TERM REFINANCE CREDITS, WHICH HAVE RISEN DOLS 700 MILLION IN THE PAST 10 MONTHS AND DOLS 461 MILLION THE PAST 4 MONTHS. HENCE, THE INTEREST IN SPECIAL IMF CREDITS AND OTHER LONG-TERM CASH LOANS TO PROVIDE THE ADDITIONAL DOSL 500 MILLION WHICH WE ESTIMATE IS NEEDED TO FILL THE ENLARGED BOP DEFICIT (IN ADDITION TO THE SECOND DOLS 100 MILLION OF THE U.S. SYNDICATION). THE GREATEST DANGER FOR KOREA IN 1975 IS A CHAIN-REACTION TYPE OF FOREIGN EXCHANGE LIQUIDITY CRISIS: CASH IS HARD TO BORROW, RESERVES FALL, CONFIDENCE WEAKENS, SOME CREDITORS REFUSE TO INCREASE OR ROLL OVER THEIR CREDITS, RESERVES FALL FURTHER, PRIVATE CONFIDENCE CRUMBLES, AND AN OFFICIAL

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RESCUE OPERATION MUST BE MOUNTED.

16. CONCLUSION: 1975 WILL OBVIOUSLY BE A VERY DIFFICULT YEAR FOR THE KOREAN BOP, WHICH SHOULD HOPEFULLY LOOK MUCH BETTER IN 1976. THE ROKG WILL PROBABLY NEED ALL THE FINANCING OUTLINED HERE, AND PERHAPS MORE. IT SHOULD BE STRESSED THAT WHILE INDIVIDUAL BORROWING POSSIBILITIES LOOK REASONABLE, COLLECTIVELY THERE WILL PROBABLY BE SOME SHORTFALLS AND DELAYS. THE FIRST HALF, WITH ITS CURRENT ACCOUNT DEFICIT OF NEARLY DOLS 1.5 BILLION, COULD BE EXTREMELY DIFFICULT, SINCE THERE WILL BE LITTLE OR NO BENEFIT FROM PL 480 SALES AND THE IBRD PROGRAM LOAN, AND POSSIBLY VERY LITTLE FROM THE ADDITIONAL DOLS 500 MILLION IN LONG-TERM PETRO-DOLLAR CASH LOANS PROJECTED FROM IMF AND OPEC SOURCES. FIRST HALF FINANCING WILL REQUIRE GREATER USE (SUPPOSEDLY TEMPORARY) OF REFINANCE AND TRADE PYTHITS THAN PROJECTED HERE FOR 1975, AND PROBABLY SOME FURTHER FALL IN GROSS RESERVES, CREATING A DELICATE LIQUIDITY AND CONFIDENCE SITUATION, WHOSE SUCCESSFUL RESOLUTION WILL DEPEND ON AN IMPROVED SECOND HALF TRADE DEFICIT AND THE SECURING OF THE LONG-TERM FINANCING PROJECTED.

17. WORST CASE AND U.S. ROLE: IF THE FIRST HALF IS WORSE THAN PROJECTED AND THERE IS NO EXPORT RECOVERY IN THE SECOND HALF, KOREA'S CURRENT ACCOUNT DEFICIT COULD RISE TO DOS 2.8 BILLION OR POSSIBLY HIGHER, EVEN WITH STRINGENT IMPORT RESTRICTIONS, CREATING A FINANCING PROBLEM SO SERIOUS AS TO REQUIRE SPECIAL ASSISTANCE (BEYOND THAT PROJECTED) FROM INTERNATIONAL ORGANIZATIONS AND /OR THE U.S., JAPANESE AND OPEC

GOVERNMENTS. WITH LUCK, MORE THAN DOLS 300 MILLION
MAY BE OBTAINABLE IN 1975 FROM OPEC GOVERNMENTS, AND
ANOTHER SYNDICATED U.S. BANK LOAN MAY BE POSSIBLE
LATER IN THE YEAR, PROVIDED CONFIDENCE IS NOT DESTROYED
BY A LIQUIDITY CRISIS IN THE MEANTIME. THE ROKG IS
ALREADY THINKING OF U.S. GOVERNMENT HELP IN SECURING
COMMERCIAL AND BANK LOANS ON FAVORABLE TERMS THROUGH
SOME SORT OF GUARANTEE, AS DEPUTY PRIME MINISTER NAM
RECENTLY MENTIONED TO EX-IM CHAIRMAN CASEY (REF D.).
THIS POSSIBILITY MAY BE EXPLORED BY NAM IN HIS
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WASHINGTON TALKS NEXT WEEK AND POSSIBLY IN TOKYO
ON HIS RETURN. WHILE THE ROKG IS NOT OFFICIALLY TAKING

AS PESSIMISTIC A VIEW OF THE 1975 BOP AS OUTLINED
HERE, THINKING IS EVOLVING IN A PESSIMISTIC DIRECTION
AND VARIOUS CONTINGENCIES ARE BEING STUDIED. IT IS
ALREADY EVIDENT THAT IN DIRE CIRCUMSTANCES THE U.S.
WILL BE LOOKED TO AS THE ULTIMATE LENDER OR GUARANTOR
OF LAST RESORT.

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